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AUTHOR Thompson, Gayle B.
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ABSTRACT

This analysis of the relationship between receipt of an employee pension and happiness among retired men and women suggests that the relationship is the result of the effect of pension receipt on total income, as well as other variables which impact on or are related in a noncasual way to pension receipt. It appears that there is nothing intrinsic to receiving regular benefits from an employee pension based on prior contributions to the world of work which has an effect of the happiness of retired persons. These findings should not be construed to mean that the source of a retired person's income has no impact under any circumstances on his psychological well-being. They only mean that the particular source of income selected for study here, an employee pension, has no impact on psychological well-being as measured by happiness. Receipt of an employee pension may have an impact on other facets of psychological well-being which are not measured here. Alternatively, income sources other than an employee pension may have psychological effects. (Author)

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THE IMPACT OF RECEIPT OF AN EMPLOYEE PENSION ON THE PSYCHOLOGICAL WELL-BEING OF RETIRED PERSONS

Gayle B. Thompson
Office of Research and Statistics
Division of Retirement and Survivors Studies
Social Security Administration
Washington, D.C.

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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Recent analyses of data from the Social Security Administration's Retirement History Study (RHS) indicate a definite connection between receipt of an employee pension and economic well-being (Fox, 1976; Thompson, in process). By employee pension we are referring to private, union, government employee, and military pensions, not to the old-age and survivors insurance (OASI) program.

This paper, also based on RHS data, examines whether the receipt of an employee pension has an impact on psychological well-being as well. In addition, it explores the nature of that impact: whether it results only from the effect of pension receipt on total income or whether there is something intrinsic to receiving a pension which has some psychological effect. It is assumed that pension income is perceived as an earned right and, as such, is a concrete symbol of the legitimacy of the retired role and the individual's link to the world of work. Receipt of regular benefits from a pension provides positive social sanctions to the retired role and, as a result, gives positive support to the self-esteem.

Much of the theoretical literature on the retired role points to the lack of positive sanctions for the role and the conflict between retirement and the dominant cultural values of work and productivity. Riley (1969) said about retirement that "Without clear congruence between the functions of role activities and the values of the society, social sanctions tend to be indifferent or negative." If there is truth to this

theory and if eligibility for a pension based on prior contributions to the world of work does provide the necessary positive social sanctions to the retired role, it follows that retired persons who received such a pension would be better off psychologically than those who did not receive this income source.

That the source as well as the size of one's income has psychological ramifications is a premise on which some of our public income maintenance programs are built. One of the stated justifications for parts of the President's welfare reform plan is that there is a "stigma" attached to the receipt of welfare benefits and that this stigma is damaging to the "self-respect" of recipients (U.S., DHEW, 1977). Proponents of the OASDI system as an earnings-based rather than a means tested program also recognize that the source of one's income has psychological over-tones. They argue that tying benefits to pre-retirement earnings is important in order to maintain the dignity of the individual and the public acceptability of the program. The following excerpt from the Reports of the 1971 Advisory Council on Social Security illustrates this position.

> "Its [the social security program's] objectives are to assure that when earnings from work are cut off because of the retirement, disability, or death of the family breadwinner, each covered worker and his family will have a continuing source of income related to his previous earnings, and to assure that they can get this protection with dignity because the protection is earned by the family breadwinner's work and earnings and paid for in part through his contributions toward the cost of the program....A worker can feel good about taking social security benefits, just as he does about accepting wages for the work he does; he has earned the right to both." (pp. 48-49)

Exploratory research by Goodwin and Tu on the social psychological basis for public acceptance of the social security system provides tentative evidence of a relationship between commitment to that system and the principle of tying benefits to prior work experience (Goodwin and Tu, 1975).

Although OASDI benefits are based on prior earnings, the progressive benefit structure produces higher earnings replacment rates for low than for high earners and provides a floor of income to those with a history of low earnings in covered employment. In other words, OASDI benefits are designed to meet the goal of social adequacy (welfare criterion) as well as of individual equity (a fair return on individual contributions). Employee pension benefits, on the other hand, are based only on the individual equity criterion and can be viewed as a completely earned right by all recipients. Therefore, this analysis focuses on the receipt of employee pension rather than OASDI benefits. Most retired persons who do receive an employee pension receive OASI and a few receive welfare benefits.

The specific hypotheses examined are:

(1) Both total money income and receipt of an employee pension are positively related to psychological well-being among retired persons.

(2) The strength of the relationship between receipt of an employee pension and psychological well-being diminishes but does not disappear when controlled for total money income.

(3) The relationship between receipt of an employee pension and psychological well-being does not disappear when controlled for other factors related to both the dependent and independent variables.

THE SAMPLE

The Retirement History Study is a national sample panel study designed to examine the retirement process in the United States over time. In 1969, the first year in which data were collected, interviews were obtained from 11,153 men and women aged 58-63. The target population included men of all marital-status categories and women who at the time of sample selection had no husband in the household. The same respondents are being reinterviewed every two years until they reach ages 68-73.

This paper is based on a subsample of the 8,928 respondents from whom completed interviews were obtained in 1973. The subsample consists of 1,738 married men and 1,137 nonmarried women who earned no money from work in 1972 but who had worked at some time during their lives and were in paid employment on their longest job. In other words, the analysis is restricted to fully retired persons who had some prior attachment to the labor force. Although a few of the women had remarried between their selection for the sample in 1969 and 1973, the vast majority were not married in 1973 and, therefore, they are referred to as "nonmarried women"--widowed, divorced, separated, married with spouse absent from the household, and never married.

THE VARIABLES

Happiness: The indicator of psychological well-being used here is "happiness" as measured by responses to the following question: "Taking all things together, would you say you're very happy, pretty happy, or not too happy these days?" Although a single item index is not ideal, this particular question has been used extensively and, according to an analysis by Campbell, Converse, and Rodgers (1976, pp. 24-31), the available trend data provide a gross measure of its face validity.

Receipt of an employee pension: This variable is measured by respondent reports of income from a private, union, government employee, or military pension during 1972.

Total income: This variable is the sum of money income received during 1972 from all sources except the following: (1) the sale of property unless the person was engaged in the business of selling property, (2) withdrawal of bank deposits, (3) loans, (4) tax refunds, (5) gifts, and (6) lump-sum inheritances or the proceeds from insurance. The income of married persons (86 percent of the men and 5 percent of the women in the total 1973 sample) represents the combined income of husband and wife.

Background variables: Since characteristics of the longest job are related to the receipt of an employee pension (Thompson, forthcoming) and to happiness, the most important ones are included here as control variables: tenure (in years); recency (still working on the longest job as of the initial interview in 1969 versus all others), and industry.

Education is another background characteristic used as a control.

Health limitation: This variable is also used as a control because it is related to both the dependent and independent variables. It is measured in terms of the respondent's answer to the following question: "Do you have any health condition, physical handicap, or disability that limits how well you get around?"

RESULTS

The data in tables 1 and 2 support the hypothesis that both receipt of an employee pension and total income are positively related to happiness. Retired persons who received a pension and who had comparatively high incomes tended to be happier than those who did not possess these characteristics.

The evidence with respect to hypothesis number 2 is less clear-cut (tables 3 and 4). Among married men, the relationship between pension receipt and happiness exists within each income category but the magnitude of that relationship, as measured by the size of the Gamma and Kendall's tau coefficients, is smaller when controlled for income than in the bivariate case. In other words, retired married men who received an employee pension were happier than those who did not receive this income source partly because they had higher total incomes (the Gamma coefficient measuring the relationship between pension receipt and total income among married men is .537). Pension receipt, however, still has an effect on happiness over and above its effect through total income.

Among retired nonmarried women the relationship between receipt of an employee pension and happiness exists only among those with incomes under $2,500. This finding suggests that regular receipt of income from a pension may be important for the psychological well-being of the most economically disadvantaged group of nonmarried women because it gives them a badly needed sense of financial security which is reflected in happiness (the Gamma coefficient measuring the magnitude of the relationship between perception of financial security and happiness among nonmarried women nonearners is .695)

Less economically deprived nonmarried women, on the other hand, may not need an employee pension in order to feel financially secure. Moreover, many of these women may have had insufficient prior attachment to work to require positive sanctions for their retired status if they can be meaningfully classified as retired in the first place. The following data on selected work characteristics for the entire sample (earners and nonearners combined) suggest that older women did have less attachment to work than did men. They had shorter tenure on their longest job, were much less likely to have been employed during the interview week in 1969 when they were aged 58-63, and if not working, were more likely to have terminated all employment several years prior to the first interview.

Percent who:	All men	Nonmarried women
Employed during interview week, 1969	83	59
Terminated employment 6 or more years prior to 1969 interview: nonworkers.....	25	53
Had 16 or more years of tenure on the longest job.....	70	39

It should also be noted that some, perhaps many of the pension recipients among the nonmarried women may have had that pension based on their late husbands', not their own employment. For these women, receipt of an employee pension would obviously not have the symbolic effects discussed earlier.

In order to investigate the third hypothesis, all variables were submitted to a Multiple Classification Analysis (MCA), a type of dummy variable multiple regression (Andrews, et. al. 1973). Happiness was dichotomized into (1) very happy (unqualified happiness) versus (0) pretty happy and not too happy. The reasons for this particular categorization--instead of very happy and pretty happy versus not happy--were two-fold. First, there is some evidence that people may be unwilling to rates themselves as unhappy (Campbell, Converse, and Rodgers, 1976, p. 25). Second, it was felt that the psychological differences between pension recipients and all others, the great majority of whom received OASDI benefits, would be reflected in the proportion expressing unqualified happiness.

The specific MCA statistics presented in tables 5 and 6 are:

(1) Grand mean: the proportion who are very happy.

(2) R^2: an estimate of the amount of variation in happiness explained by all predictor variables together.

(3) Unadjusted category mean: the proportion of persons in each category of each predictor who were very happy unadjusted for the effects of the other predictors.

(4) Adjusted coefficient: the amount of deviation of the adjusted category mean (adjusted for the effects of all predictors) from the grand mean. The adjusted category mean is obtained by adding the coefficient to the grand mean.

(5) Eta^2: an estimate of the overall ability of each predictor to explain variation in happiness unadjusted for the effects of the other predictors.

(6) $Beta^2$: an estimate of the overall ability of each predictor to explain variation in happiness adjusted for the effects the other predictors.

(7) Marginal effects: an estimate of the amount of variation in happiness marginally explained by a predictor or predictors relative to the total variation in happiness. This is measured by the squared part correlation which is expressed as:

(R^2 with all variables) - (R^2 omitting one set)

The MCA results show that receipt of an employee pension is a significant predictor of unqualified happiness among those who were completely retired in 1972 before adjusting for the effects of the other predictors. All of the other predictors were also significantly related to unqualified happiness among married men and all but recency of the longest job among nonmarried women. Taking each variable separately, unqualified happiness was more frequently expressed by retired persons with the following characteristics: (1) still employed on the longest job as of the initial interview in 1969 (married men only);(2) "long" tenure on the longest job; (3) employed in public administration (married men only) or in service

industries on the longest job; (4) well educated; (5) no health limitations; and (6) comparatively high total incomes.

Once the interrelationships between receipt of an employee pension and all predictors were considered, receipt of a pension was found to have no effect on unqualified happiness. The marginal effect of pension receipt was only .003 for both married men and nonmarried women (table 6). Among married men, health limitations was the most important and the set of background characteristics the next most important predictor of unqualified happiness (marginal effects = .034 and .021, respectively). The effect of total income, on the other hand, was negligible (marginal effect = .005). Among nonmarried women, health limitations and background characteristics had approximately the same predictive power (marginal effects = .014 and .017, respectively); the effect of total income was somewhat smaller.

In short, the data do not support the third hypothesis. Retired persons with an employee pension tended to be happier than those without this income source not because of anything intrinsic to the receipt of a pension but because recipients were better educated, had longer tenure and more recent employment on their longest job, were employed in certain industries, had higher incomes, and were less likely to have had any health limitations.

SUMMARY AND CONCLUSIONS

This analysis of the relationship between receipt of an employee pension and happiness among retired men and women suggest that the relationship is the result of (1) the effect of pension receipt on total income and (2) other variables which impact on or are related in a noncausal way to pension receipt. It appears that there is nothing intrinsic to receiving regular benefits from an employee pension based on prior contributions to the world of work which has an effect of the happiness of retired persons. These findings should not be construed to mean that the source of a retired person's income has no impact under any circumstances on his psychological well-being. They only mean that the particular source of income selected for study here, an employee pension, has no impact on psychological well-being as measured by happiness. Receipt of an employee pension may have an impact on other facets of psychological well-being which are not measured here. Alternatively, income sources other than an employee pension may have psychological effects.

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Table 1.--Happiness by receipt of an employee pension, 1972, by marital status and sex: Percentage distribution.

	Pension	No pension
Married Men		
Very happy	40	23
Pretty happy	44	44
Not too happy	16	33
Total percent	100	100
Sample number	792	894
Gamma	.379	
Kendall's tau	.250	
p of tau	<.0001	
Nonmarried Women		
Very happy	33	22
Pretty happy	50	52
Not too happy	17	27
Total percent	100	100
Sample number	262	851
Gamma	.253	
Kendall's tau	.114	
p of tau	<.0001	

Table 2.--Happiness by total income, 1972, by marital status and sex: Percentage distribution

	$8,000 and over	$5,000-7,999	$2,500-4,999	Under $2,500
Married Men				
Very happy	48	31	22	15
Pretty happy	40	46	47	45
Not too happy	12	23	31	40
Total percent	100	100	100	100
Sample number	376	369	339	185
Gamma		.358		
Kendall's tau		.259		
p of tau		<.0001		
Nonmarried Women				
Very happy	50	49	26	20
Pretty happy	50	42	51	51
Not too happy	0	10	22	29
Total percent	100	100	100	100
Sample number	38	74	230	527
Gamma		.333		
Kendall's tau		.174		
p of tau		<.0001		

Table 3.--Happiness by receipt of an employee pension controlled for total income among married men who were nonearners, 1972. Percentage distribution.

	$8,000 and over		$5,000-7,999		$2,500-4,999		Uner $2,500	
	Pension	No Pension	Pension	No Pension	Pension	No Pension	Pension	No Pension
Very happy	51	42	36	24	26	20	21	14
Pretty happy	39	41	47	45	54	44	54	43
Not too happy	10	18	17	31	20	36	25	43
Total percent	100	100	100	100	100	100	100	100
Sample number	246	130	219	150	108	231	24	162
Gamma	.201		.285		.256		.300	
Kendall tau	.111		.178		.142		.085	
p of tau	.016		.001		.004		.052	

Table 4.--Happiness by receipt of an employee pension controlled for total income among nonmarried women who were nonearners, 1972: Percentage distribution.

	$2,500 or more		Under $2,500	
	Pension	No pension	Pension	No pension
Very happy	35	33	30	19
Pretty happy	50	48	49	51
Not too happy	15	19	21	30
Total percent	100	100	100	100
Sample number	169	173	43	484
Gamma	.072		.246	
Kendall's tau	.044		.035	
p of tau	.478		.032	

Table 5.--Unqualified happiness among nonearners, 1972, by receipt of an employee pension, total money income, characteristics of the longest job, education, and health limitations: Multiple classification analysis.

	Married men			Nonmarried women		
Grand Mean (proportion very happy)	.31			.24		
Standard error	.01			.01		
Sample number 1/	1733			1132		
R^2	.126			.069		
Predictors	Proportion very happy unadjusted	Adjusted coefficient	Percent of cases	Proportion very happy unadjusted	Adjusted coefficient	Percent of cases
Receipt of employee pension 2/						
Received	.40	.04	46	.33	.01	23
Did not receive	.23	-.03	52	.22	-.01	75
	Eta^2 = .034	$Beta^2$ = .006		Eta^2 = .014	$Beta^2$ = .005	
Total money income						
$8,000 or more	.48	.08	22	4/	4/	3
5,000-7,999	.31	-.01	21	.49	.18	6
2,500-4,999	.22	-.04	20	.26	.02	20
Under $2,500	.18	-.04	11	.20	-.02	47
Not ascertained	.30	-.01	27	.23	-.03	23
	Eta^2 = .040	$Beta^2$ = .010		Eta^2 = .039	$Beta^2$ = .017	
Recency of longest job 2/						
Recent (still employed on longest, 1969)	.38	.02	41	.26	-.03	22
Not recent	.26	-.01	58	.24	5/.01	76
	Eta^2 = .020	$Beta^2$ = .001		Eta^2 = .001	$Beta^2$ = .002	
Tenure on longest job 2/						
21 or more years	.37	.03	57	.28	3/	22
16-20 years	.28	-.03	14	.32	.06	10
11-15 years	.27	.01	11	.24	3/	13
10 years or less	.16	-.07	15	.21	-.01	51
	Eta^2 = .031	$Beta^2$ = .008		Eta^2 = .007	$Beta^2$ = .003	
Industry of longest job 2/						
Agriculture	.16	-.07	10	4/	4/	3
Mining, construction	.21	-.03	13	4/	3/	5
Manufacturing	.32	-.01	37	-.18	-.04	29
Transportation, communication public utilities	.33	3/	11	4/	4/	4
Trade, finance, insurance, real estate	.35	.04	13	.22	-.02	22
Services	.38	.05	7	.29	.04	35
Public administration	.46	.08	7	4/	4/	4
	Eta^2 = .028	$Beta^2$ = .007		Eta^2 = .024	$Beta^2$ = .013	
Education (highest grade) 2/						
Some college or more	.47	.07	14	.40	.08	13
Complete high school	.42	.06	19	.31	.05	22
Some high school	.31	3/	19	.25	.01	20
8th grade or less	.22	-.04	48	.17	-.05	45
	Eta^2 = .046	$Beta^2$ = .011		Eta^2 = .034	$Beta^2$ = .014	
Health limitations 2/						
Not limited	.42	.09	51	.30	.05	58
Limited	.18	-.09	48	.17	-.05	42
	Eta^2 = .066	$Beta^2$ = .038		Eta^2 = .022	$Beta^2$ = .017	

1/ Excludes those for whom happiess not ascertained.
2/ The small number not reporting on this item included in the analysis but not shown.
3/ Less than .005.
4/ Statistics not shown; base less than 50.
5/ Less than 0.5 percent.

Table 6.--Marginal effects of selected predictors on unqualified happiness, by marital status and sex.

Marginal effects of:	Married men	Nonmarried women
Pension receipt	.003	.003
Total income	.005	.009
Health limitations	.034	.014
Background characteristics (tenure, recency, and industry of longest job and education)	.021	.017